

SUBJECT: Fiscal Control in the Office of Logistics

b. Recommendation (2):

"This Office review the present practice of allotting funds to bulk stock procurement accounts with the view of reducing the number of such accounts effective 1 July 1962 to the minimum number required for control purposes."

Comment. We concur in your making a review of the present procedures of allotting funds with a view toward reducing the number of bulk stock procurement accounts. If the number of accounts could be reduced it would simplify our record keeping problem, and might prevent the possible overobligating of some procurement accounts notwithstanding the adequacy of funds on an overall procurement basis. It would still be possible for our Budget and Fiscal Branch to maintain such detail funds data as management would require for the cognizant groups (Communications, TSD, Medical, and General).

c. Recommendation (3):

"Require that all obligating documents, before release to the supplier, be forwarded to the Budget and Fiscal Branch to assure that the obligation has been or is validated as to availability of funds."

Comment. Instructions have been issued within the Office of Logistics that copies of all obligating documents must be sent to the Budget and Fiscal Branch. We do not believe that it should be necessary during the first nine or ten months of each fiscal year to actually prevalidate these obligating documents, inasmuch as we can maintain adequate control with the copies furnished. As we approach the end of the fiscal year, however, and there develops a critical funds situation in the stock procurement accounts, it will be necessary to actually prevalidate obligating instruments before their release to the supplier.

d. Recommendation (4):

"Discontinue the posting of encumbrances to the allotment control records."

Comment. Under existing conditions, we believe it necessary to have adequate information as to what requisitions are in process, prior to their becoming "obligations." Often a lag of several millions of dollars may occur between the total amount

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"encumbered," versus the total "obligated." The difference represents probable obligations being worked on in the Procurement Division. We need this encumbrance information for our own planning, and it is especially significant when we must provide data with which we may substantiate our need for increased allotments by your Budget Division when the status of obligation figures does not seemingly necessitate an increase in allotments to property procurement accounts. However, we do propose that encumbrances no longer be posted on a document basis but rather as a total figure for each account daily. This new encumbrance figure would be no more than a guide as to the estimated value of property requisitioned but not yet obligated. With receipt of each instrument fully obligating the requisition, the requisition will be removed and destroyed; the only notations to be made on those requisitions serving as encumbrance documents will be for partial orders and similar basic adjustments.

e. Recommendation (5):

"To assure current information regarding funds committed for the Report of the Status of Stock Funds require that a copy of all requisitions initiated within the Office of Logistics affecting the bulk stock procurement accounts which are routed for direct action by the Procurement Division be provided to the Budget and Fiscal Branch at the same time."

Comment. We have again directed components of the Office of Logistics to process their requisitions in the same manner as any other component of the Agency.

f. Recommendation (6):

"Adopt the use of the Detailed Obligation Record, Exhibit I attached to the Report of Findings, as a cover attachment to the requisition for recording encumbrance, obligation, and unliquidated balances of obligations."

Comment. We have initiated the use of the Detailed Obligation Record and find it a useful instrument for keeping a running balance for each obligating document.

g. Recommendation (7):

"Budget and Fiscal Branch, O/L establish and maintain a memorandum allotment ledger control system for bulk stock procurement vouchered funds activities on a summary posting basis in order

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to provide current information on the availability of funds and to prevent over-obligation of the allotment. The monthly copies of the Fiscal Division official allotment ledger accounts received by the Budget and Fiscal Branch be used as a posting media to the memorandum accounts on a one line accumulated obligation and expenditure basis to obviate adjustments on the memorandum allotment control records based upon liquidation differences."

Comment. The Budget and Fiscal Branch will hereafter receive a copy of each purchase order for its obligation files; this is the same document used by Fiscal Division for recording obligations for property procurement in the vouchered funds bulk stock procurement accounts. Therefore, the copies of the allotment ledger pages forwarded to the Budget and Fiscal Branch by Fiscal Division can be used for (a) updating obligation data for Status Reports of Funds available for property procurement, and (b) verification of postings to the proper accounts by the Fiscal Division. Definitive postings, including liquidations, would add involved and unnecessary workload, and be directly duplicative of work being performed in the Fiscal Division. Moreover, the minor differences between the amounts stated on the obligating documents and the final expenditures are carried into the Office of Logistics Status of Funds Reports on an overall obligation basis. In other words, the obligation differences between the Fiscal Division and the Office of Logistics Budget and Fiscal Branch records are reconciled continuously and the expenditure differences are carried into the Budget and Fiscal Branch records on an overall basis so that the monthly Status of Funds Reports for property procurement are in agreement with those of the Fiscal Division, except for the updating.

h. Recommendation (8):

"Reconciliation of the documents representing unliquidated obligations with the applicable allotment control records be made for all accounts monthly and adjustments be made promptly of differences between estimated and liquidated obligations."

Comment. Our intent is that this reconciliation be performed on a monthly basis. Adjustments in personnel, present workload and procedures should make this possible.

i. Recommendation (9):

"Instruct the [REDACTED] Supply Depot to discontinue forwarding copies of requisitions that do not involve procurement action to the Budget and Fiscal Branch. For requisitions forwarded that do involve

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procurement action a transmittal sheet (Exhibit H attached to Report of Findings) should be attached for checking purposes."

Comment. The forwarding of requisitions not involving procurement action has been discontinued. We have also requested the Depot to make a copy of their transmittal sheet listing the documents involving procurement actions.

1. Recommendation (10):

"A further review be made by this Office sometime during fiscal year 1963 to ascertain the adequacy of procedures being followed by the Budget and Fiscal Branch and whether adequate personnel are available to perform the functions of the Branch on a current basis."

Comment. Concur.

3. We are indeed appreciative of the efforts made by your Technical Accounting Staff, and especially those of Mr. [REDACTED] to assist us in developing more adequate control systems and procedures. We hope that we may continue to call upon your personnel for such constructive advice.

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Deputy Director of Logistics